

INSIDER'S EDGE: Issue 166: New Tax Law and MAGI

Greetings, Insiders! Today's topic is especially for caseworkers who interact with consumers through Maryland Health Connection. Luckily for you, it's our favorite subject: the new tax law and Modified Adjusted Gross Income (MAGI) reporting!



Still with me? If you are, there'll be more animals if you make it to the end!

We last visited MAGI in [Issue 35](#) and [Issue 101](#). There are some small changes to deductions, so read carefully.

The Basics: MAGI

The guidepost for determining MAGI is IRS Form 1040, U.S. Individual Tax Return. When considering what income must be reported for MAGI, applicants should look at lines 7 through 21 on Form 1040. For the most part, any income not counted as income on lines 7 through 21 will not be part of MAGI. (Remember, deductions from MAGI are drawn from lines 23 through 35).

Scholarships and grants may count as income. Whether a student must report a scholarship or grant as income will depend on the purpose for which the scholarship or grant is used. In some cases, these funds must be reported as income. Money used toward tuition, fees, books, supplies, and equipment required for a student's courses does not need to be reported as income. However, grant or scholarship money used for other purposes (like housing, for example) must be reported as income.

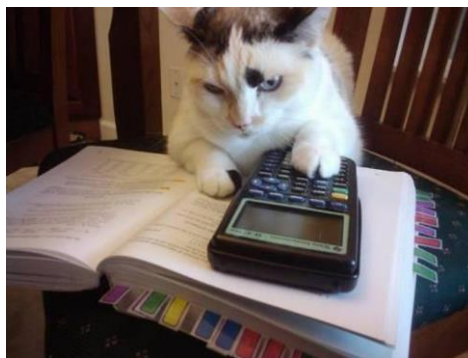
Counts	Does Not Count
Taxable wages/salary (before taxes are taken out) Exclude pre-tax contributions to dependent care accounts, transportation accounts, flexible spending accounts, and retirement accounts	Temporary Assistance to Needy Families (TANF) and other government cash assistance
Self-employment (profit once business expenses are paid)	Child support received
Social Security benefits	Supplemental Security Income (SSI)
Unemployment benefits	Veterans benefits (unless it is a straight retirement pension)
Alimony received	Worker's compensation payments
Most retirement benefits	Proceeds from life insurance, accident insurance, or health insurance

Interest (including tax-exempt interest)	Federal tax credits and Federal income tax refunds
Net capital gains (profit after subtracting capital losses)	Gifts and loans
Most investment income, such as interest and dividends	Inheritances
Rental or royalty income (profit after subtracting costs)	
Other taxable income, such as canceled debts, court awards, jury duty pay not given to an employer, cash support, and gambling, prizes, or awards	
Foreign earned income	

Changes to Deductions:

Consumers are no longer able to claim tuition fees or moving expenses as a deduction. However, student loan *interest* is still able to be claimed as a deduction.

Previously, applicants or caseworkers may have included these deductions as “other deduction” on the “Household Deductions” portion of the application for a Qualified Health Plan. Caseworkers should be aware of the change; as of January 1 2018, tuition fees and moving expenses cannot be included as a deduction.



Feeling prepared? Great!

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